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PROFILE
Prince George, British Columbia

FEATURE
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CanadaWest FOUNDATION

Our Vision
A dynamic and prosperous West in a strong Canada.

Our Mission
A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces and all Canadians.

CURRENTS Western Canada's Monthly Economic Bulletin

Vol. 2008, No. 6 a CanadaWest Foundation publication

Monthly Highlights

The national participation rate remained at a record high of 68% in May while the unemployment rate stayed unchanged at 6.1%. Alberta continued to lead the country with the lowest unemployment rate at 3.6%, followed by Saskatchewan (4.1%), and Manitoba (4.2%).

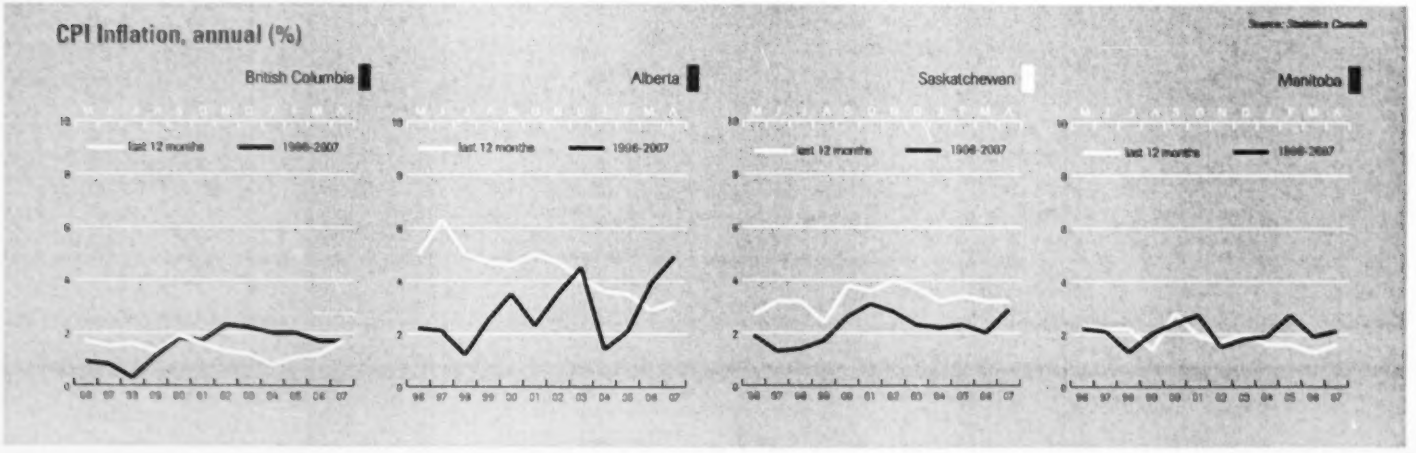
There was an increase in consumer prices for the first time in five months, which was fueled largely by the rising gasoline prices. Consumer prices rose 1.7% between April 2007 and April 2008 while gasoline prices rose 11.6% over the same period. Alberta and Saskatchewan lead the country for highest annual consumer price inflation rates.

Saskatchewan achieved record highs for both building permits and wholesale trade. The value of building permits in Saskatchewan hit $229 million in April, which was 6.4% above the previous record high in December 2007. Wholesale trade also increased by 11.6% due to a large demand for agricultural supplies.

Alberta also had a large gain in building permits, recording an 11.7% increase for April. This increase in building permits was substantial after the low level of construction intentions in March. National manufacturing sales slipped in March, with factory sales down by 1.6% to $49 billion. Total manufacturing sales have decreased 7.7% from a peak of $53 billion in March 2007. Alberta manufacturers reported the second largest decrease for March, with a 1.4% reduction in sales.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Employment (SA, 000s)	2,317.4	2,007.7	509.4	605.0	17,144.4	May
% change, 3-month ma, yoy	2.8	3.2	1.4	2.1	2.0	
Unemployment rate (SA, %)	4.5	3.6	4.1	4.2	6.1	May
Participation rate (SA, %)	66.8	74.7	69.4	69.5	68.0	May
Average weekly earnings (SA, $)	778.15	873.66	752.11	720.61	788.71	March
% change, 3-month ma, yoy	2.7	4.9	4.8	4.0	3.0	
CPI inflation, annual (%)	1.7	3.2	3.2	1.6	1.7	April
Building permits: residential (SA, $ millions)	700.3	607.5	110.9	87.4	4,039.7	April
% change, 3-month ma, yoy	10.5	-15.2	58.7	14.2	10.8	
Building permits: non-residential (SA, $ millions)	378.0	501.7	117.6	53.0	2,361.3	April
% change, 3-month ma, yoy	-9.6	34.0	74.6	-11.5	3.0	
Housing starts (SAAR, 000s)	37.5	33.6	5.2	6.0	213.9	April
% change, 3-month ma, yoy	11.7	-18.9	27.6	19.0	9.8	
Retail trade (SA, $ millions)	4,848	5,252	1,205	1,279	35,497	March
% change, 3-month ma, yoy	4.4	4.5	15.3	12.0	6.0	
Wholesale trade (SA, $ millions)	4,241	5,411	1,571	1,060	42,692	March
% change, 3-month ma, yoy	3.0	3.2	26.3	6.2	9.7	
Manufacturing sales (SA, $ millions)	3,359	5,455	915	1,324	48,994	March
% change, 3-month ma, yoy	7.4	2.0	7.9	3.8	4.9	

Source: Statistics Canada. yoy=year over year; ma=moving average; SA=seasonally adjusted; SAAR=seasonally adjusted at annual rates



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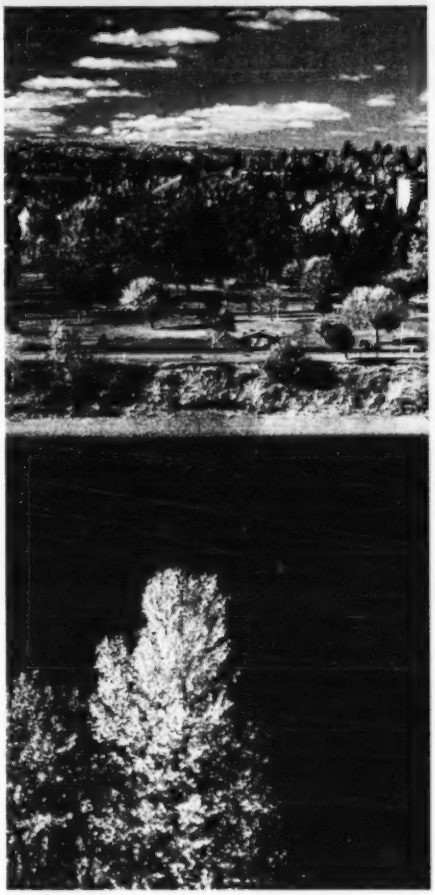
Did you know?

- Albertans watch the least amount of television compared to other Canadians, averaging 19.4 hours per week.
- The average hourly wage in April 2008 was $23.39 in Alberta, $21.32 in British Columbia, $19.99 in Saskatchewan and $19.15 in Manitoba.
- British Columbia is the most urbanized province in Canada.
- Western Canada only has 3.5 people per square kilometre. In comparison, France, Germany, and Spain combined have approximately 134 people per square kilometre.
- 7% of people from Saskatchewan do 60 hours or more of unpaid housework a week, compared to 6% of Manitobans, 5% of Albertans and 4% of British Columbians.
- Canada has the highest tertiary education attainment rate for people aged 25 to 64 of any OECD country

City in Profile: Prince George, BC



Prince George, also known as 'B.C.'s Northern Capital', is located 787 kilometres northeast of Vancouver along the intersection of Highway 97 and Highway 16. The city's population according to the 2006 Census is 70,981 people.

The economy of Prince George is largely driven by the forestry industry. The Prince George region produces over 20% of Canada's softwood lumber annually. Other industries in Prince George include mining and prospecting, value added forestry products and oil refining. Major employers in Prince George include Canfor (lumber), the Government of British Columbia, Livebridge (call centre), Winton Global Lumber and Carrier Lumber.

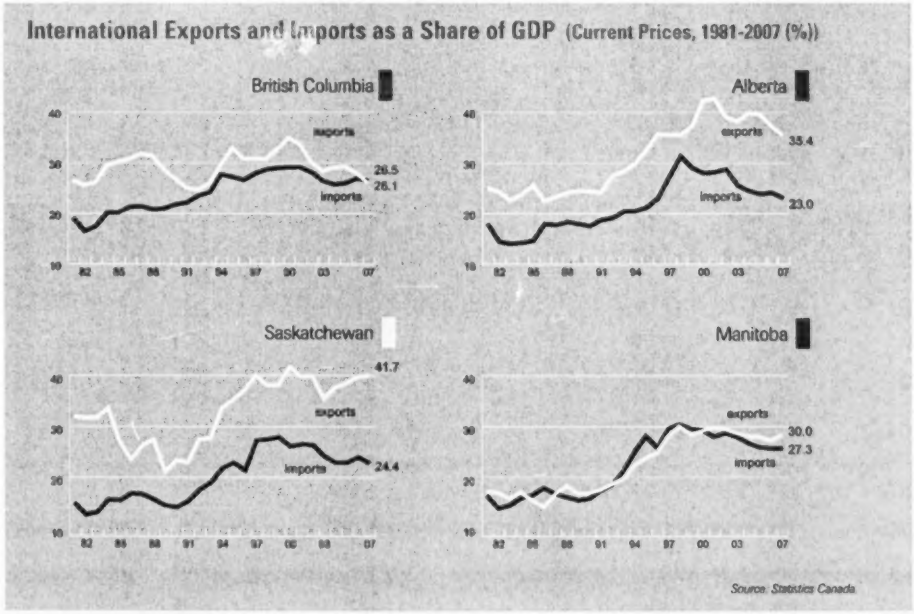
Despite recent mill closures in the Prince George region, Prince George's economy has remained strong with the annual unemployment rate dropping from 6% in 2006 to 5.1% in 2007.

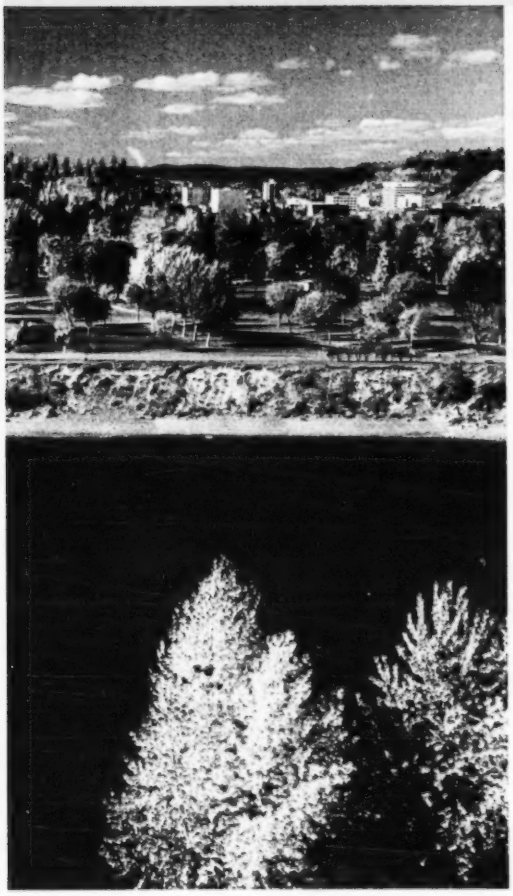
BEHIND THE NUMBERS

International trade is an integral aspect of western Canada's economy, with the US being the largest trading partner by far. International exports and imports have grown in size relative to overall economic output over the past two and a half decades. Exports and imports as a percentage of GDP are not as high in the West as in the rest of Canada.

In recent years, the average annual percentage increase in the volume of imports was higher than exports in all four western provinces. In fact, the volume of imports across the West increased three times as fast as exports from 2002 to 2006, a period over which the Canadian dollar gained considerable strength against the US dollar.

International Exports and Imports as a Share of GDP (Current Prices, 1981-2007 (%))





Fraser River overlooking Ft. George Park in Prince George, BC

STILL STRONG: ALBERTA Economic Profile and Forecast

After spending a few years in the fast lane, Alberta's economy changed lanes last year and recorded a slower rate of economic growth. There has been a considerable gap in recent years between Alberta's economic performance and that of the national economy. In 2004 and 2005, Alberta's real economic growth was above 5%—more than two percentage points higher than national figures. The gap turned into a chasm in 2006, when Alberta's real economic growth that year hit 6.6%. This was roughly *three times higher* than the rest of Canada—the national economy with Alberta factored out.

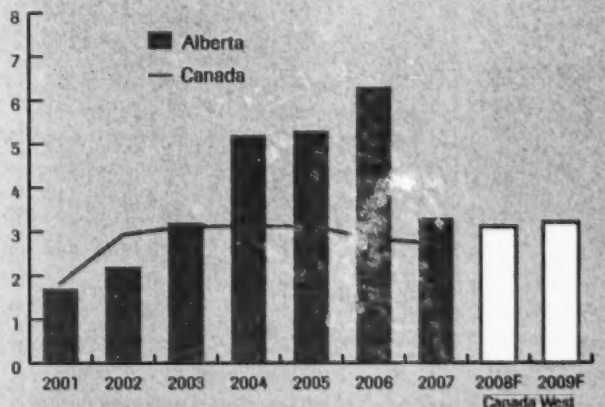
Growth slowed last year, but the provincial economy did not take its foot of the gas and slam on the brake. Real GDP expanded by 3.3% in 2007, on par with the average rate of growth for Alberta since the early 1980s, and above last year's national average. Without a doubt, some aspects of the economy have cooled off. The rate of growth of retail sales has definitely moderated over the past 12 months, but Albertans continue to spend money. The rate of increase in housing prices slowed considerably and housing starts are down, but the floor has not fallen out of the market. Employment growth has slowed, but it certainly hasn't stalled—far from it. The most recent figures show that Alberta continues to lead the country in job creation.

Some segments of the economy—notably the important conventional oil and gas sector—slowed down more than others. The high price of crude oil and massive development in the oil sands contrasts with a marked decline in natural gas drilling activity. Until recently, the price of natural gas was depressed. Furthermore, the industry has struggled with high costs, the strong dollar, and the Alberta government's new royalty review framework. The gas industry has put the blame on the new royalty program for large cutbacks in industry expenditures and drilling activity. Fortunately, the conventional oil and gas sector is not as pessimistic as we approach the summer of 2008 as it was in late 2007 and early 2008. Some within the industry have regained some optimism, however cautious.

The Canada West Foundation expects Alberta to outperform the national economy this year and next. Alberta, however, will not be the top performing province in 2008. And in a time of national and global economic uncertainties, there is no shortage of downside risks to the forecast for the province. The US—the biggest market for Alberta's exports by far—is currently facing tough times. Slower global economic growth has the potential to bring oil prices down. Natural gas prices are currently favourable but there is no guarantee they will stay that way, given their volatility. Labour shortages and cost pressures—perennial concerns in Alberta—have the potential to reduce economic growth.

Notwithstanding the downside risks, the Alberta economy, by and large, remains on stable footing. The Canada West Foundation is forecasting real GDP growth of 3.1% for 2008 and 3.2% for 2009.

Real GDP Growth and Canada West Foundation Forecasts (Annual % change, chained 2002 dollars)



Source: Statistics Canada and Canada West Foundation

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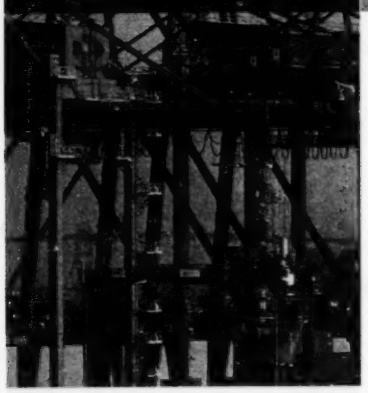

Who's Setting the Climate Change Example?

by Dr. Kari Roberts, Senior Policy Analyst

Climate change is a hot and potentially divisive topic, and one of the most important public policy issues of the day. Regardless of your perspective on the issue, almost everyone can agree that there is merit to rethinking how we use and produce energy.

Reducing the amount of energy we use and increasing the efficiency of our vehicles and appliances just makes sense, especially if it can save us money. Pursuing renewable energy also makes good sense, as we know that oil won't last forever. Our addiction to oil is depleting global reserves, and we're going to have to find alternate solutions if we don't want to get around town Fred Flintstone-style. This is a big issue on the US political radar too, and the security of oil and concerns over energy supply will likely dominate the presidential election there this Fall.

Energy conservation is simply a good idea. And if it goes some distance toward lowering greenhouse gas emissions then how can this be bad? Across North America, real progress is being made by cities, provinces, and states to lower greenhouse gas emissions, reduce the amount of CO2 launched into the atmosphere, and to conserve energy. A recent Canada West Foundation report highlights some of the more notable innovations in energy efficiency and carbon reducing strategies.

The most commonly referred to example is California. Three of National Geographic's Top 10 Greenest Cities are located in California. Among its more popular initiatives is the Low Carbon Fuel Standard (LCFS). The LCFS requires fuel providers to reduce the carbon intensity of transportation fuels sold in the state, which in turn expands the market for alternative fuels. Providers can earn credits for emissions reductions in fuel production at various points along the supply chain, from extraction to refining to market delivery. This program is expected to see a 10% reduction in carbon intensity in passenger vehicles by 2020. Additionally, California's Solar Roof Program offers tax credits for the installation of solar energy systems, and based on the energy savings system owners can expect to enjoy, these systems ultimately pay for themselves. Finally, the State has entered into a public-private partnership to build a $90 million hydrogen highway by 2010, which will enable the use of hydrogen-powered vehicles across California.

The city of Portland, Oregon also gets high marks for its efforts to encourage energy efficiency, promote alternative fuels and reduce carbon emissions. Its Local Action Plan on Global Warming involves implementing energy efficiency targets for buildings and working to meet all growth in electricity demand through renewables. The Plan specifically targets vehicle emissions reduction by attempting to decrease miles traveled to 10% below 1995 levels and improving fuel economy. In support of this, Portland has endeavoured to make the city more bicycle and pedestrian friendly, has invested in its transit system, and has moved toward implementing more transit-oriented development.

The city also supports environmentally sustainable renewable energy projects to help meet its carbon emissions targets (such as partnering to develop wind farms) and has set a very ambitious goal of purchasing 100% of city government electricity from renewable resources by 2010. Overall, Portland's approach to reducing carbon emissions and conserving energy has been fairly aggressive, and it enabled the city to reduce its GHG emissions to less than 1% above 1990 levels in 2006. Per capita emissions have fallen and there has been a 90% increase in transit use, all of which saw Portland named the Green Power Partner of the year for 2003 by the US Environmental Protection Agency.

Finally, back home in Canada the City of Charlottetown, PEI has been doing some innovative things with its heating systems. The city uses a biomass-fired district energy system to power many of its public buildings, which has both environmental and economic benefits. District energy uses hot water or steam to generate power in one central location and then distributes energy through underground pipes to a web of buildings plugged into the central system. District energy renders individual building heating systems (which became commonplace in North America after WWII) unnecessary. The advantage of district energy is that it can increase energy efficiency, reduce air pollution, decrease emissions, promote renewable energy, and help manage the demand for electricity.

While it's true that the same kinds of solutions will not work for all places, there is a lot of work being done in North America to tackle climate change. And even if we find out someday that the science was wrong and we're heading for the next ice age, smart energy choices can still be made that make sense for consumers. The cases above demonstrate that these kinds of smart choices are available and effective. It can't hurt to think about the possibilities.

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